MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

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FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BBS2044 – BUSINESS & SOCIETY

7 March 2017
9:00 a.m. - 11.00 a.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of six (6) pages inclusive of the cover page.
2. Please answer **ALL** questions in **Section A** and **ANY TWO (2)** questions from **Section B.** Each question carries the marks as indicated.
3. Please write all your answers in the answer booklet provided.

SECTION A

Indian law requires companies to give 2% of profits to charity. Is it working?
The Guardian
Oliver Balch, *5th April 2016*

India is the first country in the world to enshrine corporate giving into law. Following a change in company law in April 2014, businesses with annual revenues of more than 10bn rupees (£105m) must give away 2% of their net profit to charity. Areas they can invest this money in include education, poverty, gender equality and hunger.

At the time India's policy-makers said the law would release much-needed funds for social development, while critics warned of a tick-box mentality and efforts at evasion. Two years on, the arguments remain unresolved. What's unambiguous is that overall charitable spend by companies has increased. According to independent reports, the private sector's combined charitable spend jumped from an estimated 33.67bn rupees (£357.5m) in 2013 to around 250bn rupees (£2.63bn) after the law's enactment.

Some say the change in law is also waking up corporate India to its wider social responsibilities. "The so-called 2% law has brought CSR [corporate social responsibility] from the fringes to the boardroom," argues Bimal Arora, chair of the Delhi-based Centre for Responsible Business. "Companies now have to think seriously about the resources, timelines and strategies needed to meet their legal obligations."

Yet fears that companies would find ways of avoiding shelling out for good causes appear equally well-founded. A survey by accountancy firm KPMG found that 52 of the country's largest 100 companies failed to spend the required 2% last year. A smaller proportion has gone further, according to an Economic Times investigation, allegedly cheating the system by giving donations to charitable foundations that then return the monies minus a commission.

India boasts a handful of family-led conglomerates with a long tradition of philanthropy. "Charitable giving used to be a big reputation builder for us," says a sustainability director in one such firm, "now it's just about legal compliance". In a number of cases, he adds, companies that were giving more than 2% have scaled back their charitable spend. Those who believe CSR needs to be embedded through the whole business, not just philanthropy, argue that companies must go further. "The focus is now on how much money you give to what cause and the whole question of how you make that money is totally ignored" says Ruchira Gujral, Unicef's corporate engagement specialist.

This business rationale to corporate responsibility is now at risk of being lost, argues Vikas Goswami, head of Godrej Industries' sustainability programme. "For most organisations, the discussion at board level is now not about what we do, but does it count as CSR and does it meet the legal requirements," she says.

Continued...

Opinions in the voluntary sector are also split. A major point of disquiet is who gets what. While more corporate cash is now swilling about, it's not spread evenly across among charities, with large charities getting the lion's share. "One of the challenges for the corporate sector is finding credible partners and good projects that they can support. So what's happening is that the bigger charities that are more well-known are being flooded with money," says Gujral. Compounding the problem is that smaller charities often lack the capacity to cope with companies' bureaucratic and operational demands.

Charity leaders, and KPMG's report, also point to a geographic bias under the 2% law, with companies funding projects closer to where they are based. Consequently, more industrialised states are winning over poorer, more remote regions where development aid is acutely needed. Politics can skew priorities too, with some companies looking to gain goodwill by backing government-led projects rather than independent initiatives.

Anna Warrington, a director at the think-tank Forum for the Future, is one of many in India's third sector who is increasingly frustrated by how the 2% law is playing out. What India needs is large-scale social innovation and systems change, she says, but the early crop of mandatory philanthropic projects shows precious little of this ambition.

Unicef's Gujral echoes these concerns, arguing that an emphasis on corporate-charity partnerships is deflecting pressure on companies to change their business practices. She welcomes renewed discussions about formalising a set of national voluntary guidelines to spell out what responsible business should look like and set out that CSR is more than just charitable giving. The Centre for Responsible Business is working on similar sector-specific standards.

Answer the following questions:

a. The above article shows the role of government in regulating businesses, which is one of the most important functions of any government.
Identify and explain at least **THREE (3)** reasons why government needs to regulate businesses.

(6 marks)

b. "The so-called 2% law has brought CSR [corporate social responsibility] from the fringes to the boardroom"
Explain the meaning of the above statement, giving emphasis on the definition of CSR and on the government's role in ensuring corporations giving back to the society.

(5 marks)

Continued...

c. "A smaller proportion has gone further, according to an Economic Times investigation, allegedly cheating the system by giving donations to charitable foundations that then return the monies minus a commission".

(i) Explain the meaning of the above statement.

(4 marks)

(ii) Ethical corporations will not consider doing the above.
Discuss how can training be an approach to the enhancement of ethical behaviour among corporations.

(10 marks)

d. "What India needs is large-scale social innovation and systems change, she says, but the early crop of mandatory philanthropic projects shows precious little of this ambition".
Technology advancement can be used to achieve such social innovation and systems change. Discuss the role of the Indian government in regulating the issues related to information technology.

(10 marks)

e. Unicef's Gujral echoes these concerns, arguing that an emphasis on corporate-charity partnerships is deflecting pressure on companies to change their business practices. She welcomes renewed discussions about formalising a set of national voluntary guidelines to spell out what responsible business should look like and set out that CSR is more than just charitable giving.

(i) Identify and sufficiently explain at least **THREE (3)** reasons why an organization ought to have a code of conduct.

(6 marks)

(ii) Explain how can a corporation effectively plan and implement an organisation seen to be of very high integrity based on the code of conduct.

(9 marks)

(Total: 50 marks)

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SECTION B – Answer ANY TWO (2) questions.

QUESTION 1

a) Identify and briefly explain at least **FIVE** of the seven habits of manager having or displaying high moral and integrity.

(15 marks)

b) Businesses have evolved from merely focussing on profits, to concern for the society and the preservation of the environment – where ethics plays an important role. Explain why ethics has become the focus for business sustainability.

(10 marks)

(Total: 25 marks)

QUESTION 2

a) Why is corporate governance such an important management responsibility?

(5 marks)

b) What are the steps a business should take to practice good corporate governance? Illustrate using the internal and external controls mechanism.

(10 marks)

c) From the society's perspective, it is important upon government to promote social goals such as safe working conditions and environments, clean air, and safe products. Why is this so?

(10 marks)

(Total: 25 marks)

Continued...

QUESTION 3

a) Identify and explain at least **THREE (3)** major abuses of advertising which regulatory bodies should control in order to protect the interests of the general public.

(9 marks)

b) Explain how the nature of the employer-employee relationship helps to determine and maintain good working relationship in the workplace.

(8 marks)

c) Corporate Social Responsibility (CSR) which covers a wide spectrum of issues was beginning to have a profound effect on the conduct of business globally. However, there are some businesses that are against it.
Identify and explain at least **FOUR (4)** reasons why companies are against the practice of CSR?

(8 marks)

(Total: 25 marks)

END OF PAPER